

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

RETAIL ACCESS OPTIMIZATION INITIATIVE, 2011

Docket No. N2011-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO NNA INTERROGATORIES
NNA/USPS-T1-1 THROUGH T1-16**

The United States Postal Service hereby provides institutional responses to the above-listed interrogatories of the National Newspaper Association dated August 26, 2011. Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OR NATIONAL NEWSPAPER ASSOCIATION,
REDIRECTED FROM WITNESS BOLDT**

NNA/USPS T1-1. Please refer to the Postal Service's institutional response to Presiding Officer's Information Request No 1, question 2. Please explain in detail how revenue derived from a local Periodicals mailer entering in a candidate facility with postage paid at that facility would be considered in the Postal Service's analysis of that facility's overall revenue. If the revenue would not be considered, explain why it would not.

RESPONSE:

Offices were included in RAOI on the basis of walk-in revenue as illustrated by the attachment to DBP/USPS-13. While offices serving as the entry for permit mail of any kind are quite rare in the discontinuance context, that would nonetheless be a factor requiring consideration in any discontinuance study concerning an office.

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NNA/USPS T1-2. Please confirm that post offices on the Postal Service's candidate list of 3,650 facilities could potentially be entry offices for local Periodicals mail.

RESPONSE:

Confirmed that Post Offices are potential entry points for Periodicals mail.

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NNA/USPS T1-3. Has the Postal Service examined the revenue accounts of each of the 3,650 candidate offices to determine whether Periodicals mail revenues appear in those accounts? If not, does it intend to do so before making a final determination on discontinuing those offices?

RESPONSE:

Yes. Total Periodicals revenue for RAOI offices is only a few tens of thousands of dollars. When numbers take on that magnitude, the possibility for one or a few errors to make up a large proportion of the amount is worth keeping in mind.

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NNA/USPS T1-4. If a candidate office fell under scrutiny for closing because its revenues were under \$100,000 a year, but the Postal Service discovered a local Periodicals mailer producing revenues for that office that would lift the office above \$100,000 if counted, would that discovery be sufficient to remove that candidate office from a discontinuation list? If not, please explain why not. If that element alone would not cause a candidate office to be removed from the list, would that element influence the Postal Service favorably toward keeping that office open at current service levels?

RESPONSE:

The walk in revenue by which offices were identified for inclusion in RAOI does not include revenue that might result from Periodicals entry in that office. See, e.g., the attachment to the response to DBP/USPS-13. The existence of Periodicals revenue in an office under review for discontinuance would need to be considered, but it would not in and of itself be decisive either way.

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NNA/USPS T1-5. If a candidate office fell under scrutiny for closing because its revenues were under \$100,000 a year, but the Postal Service discovered a local Standard class mailer producing revenues for that office that would lift the office above \$100,000 if counted, would that discovery be sufficient to remove that candidate office from a discontinuation list? If not, please explain why not. If that element alone would not cause a candidate office to be removed from the list, would that element influence the Postal Service favorably toward keeping that office open at current service levels?

RESPONSE:

No. See the response to NNA/USPS-T1-4. The existence of Periodicals mail entry in a given office would need to be considered; however, its impact would depend upon the particular circumstances presented in a particular discontinuance study.

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NNA/USPS T1-6. Please confirm that local newspapers mailed under Periodicals permit sometimes enter mail at a local post office, but drop time sensitive copies of those issues for same day or next day delivery at nearby offices, under a practice called "exceptional dispatch," authorized by Domestic Mail Manual Section 707.28.3.

RESPONSE:

Confirmed.

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NNA/USPS T1-7. With respect to activities of local newspapers mailed under Periodicals permits that exercise exceptional dispatch privileges, please respond to the following:

- a. Will the Postal Service examine the candidate offices to determine whether local newspapers mailed under Periodicals permits are carrying out destination mail drops under exceptional dispatch privileges?
- b. Would the discovery of a local newspaper's use of exceptional dispatch at any given candidate office influence the Postal Service's decision in favor of continuing service at that office? If not, please explain why not.

RESPONSE:

- (a) All operations of each facility are examined in a discontinuance study.
- (b) If such a discovery were made, it would be but one of a variety of considerations taken into account. However, its impact would depend upon the particular circumstances presented in a particular discontinuance study.

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NNA/USPS T1-8. Do any contract postal units (CPUs) accept entry of Periodicals mail? Do any CPUs accept entry Of Standard Mail?

RESPONSE

No.

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NNA/USPS T1-9 Do any contract postal units (CPUs) accept local newspaper mail dropped under exceptional dispatch privileges? If not, why not?

NNA/USPS T1-10 Do any contract postal units operate as an entry office for any type of bulk business mail, other than newspapers? Please explain your response.

RESPONSE

In accordance with long-standing policy, Contract Postal Units (CPUs) are not set up to accept bulk mail, including Periodicals. At those few CPUs with P.O. Box service, all mail would be placed in respective P.O. boxes in accordance with existing procedures. This would remain true of any periodicals entered via exceptional dispatch regardless of where they were entered.

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NNA/USPS T1-10 Do any contract postal units operate as an entry office for any type of bulk business mail, other than newspapers? Please explain your response.

RESPONSE

No.

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NNA/USPS T1-11. With respect to Village Post Offices:

- a. Please supply any Requests for Proposal, with proprietary information redacted, that the Postal Service has used or intends to use to solicit bids from VPO operators.
- b. Please refer to the Postal Service's response to POIR No 1, question 11, where it is stated "several hundred inquires (sic) from interested vendors were received within days of the concept being publicly announced in July 2011. Of those inquiries, how many have received responses from the Postal Service as of the date of your response to this question? How many have actually issued bids to the Postal Service?
- c. In a case where the Postal Service expects to replace an existing post office, branch or other facility on the candidate list with a VPO, will it put the VPO in place before the closing, after the closing or simultaneously?
- d. Does the Postal Service expect VPO bidders to provide every service solicited by the Postal Service? Could a VPO offer to provide fewer services? More services?
- e. Is the Postal Service approaching any large commercial vendors--such as a national bank or retail store--to propose operating more than one VPO?
- f. If the Postal Service received a proposal from a potential VPO operator to operate 100 percent of the needed VPOs, would that proposal be accepted?
- g. Does the Postal Service expect a VPO operator to have a legal residence or corporate home in the community where the VPO operates?
- h. Will VPO bidders be required without exception to provide post office boxes in their facilities? If not, please explain why not.
- i. If a post office provided community services besides mail distribution and retail postal services, such as offering a community meeting room, would the Postal Service expect a VPO bidder to provide such a service? If a VPO bidder proposed such a service, regardless of the Postal Service's expectations, would that proposal be more favorably considered than a proposal from a bidder uninterested in providing such a service?
- j. Will the Postal Service require a VPO that replaces a post office where a local newspaper mailer previously entered mail to provide mail acceptance services for that local newspaper? If not, why not?
- k. Will the Postal Service require a VPO that replaces a post office where a local newspaper mailer previously dropped exceptional dispatch copies that are carrier-route, walk-sequence sorted to receive those copies for delivery by a postal or contract carrier? If your response is negative, please explain why the Postal Service could not require those offices to provide a repository service to hold this mail for carrier distribution.

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- (a) See the attachments to this response.
- (b) It is believed that all of the inquiries have received some form of response.

As of August 2011, 230 inquiries have been received and three contracts have been awarded. Roll out of VPOs will continue for the foreseeable future.
- (c) VPOs will be established as an alternate access channel for some retail and delivery services where opportunities are deemed to exist, irrespective of the whether a nearby Post Office may be nominated for a feasibility study, a study is under way, an office is being discontinued, or an office has been discontinued. A VPO is not intended to nor able to "replace" a Post Office. Hence the roll out of VPOs will continue largely regardless of any discontinuance activity. A VPO provides types of access to postal services that are in wide demand.
- (d) All VPOs will provide a limited range of retail products, including postage and Priority Mail flat rate packaging; they will also collect mail, including parcels, for tender to and transportation by a postal representative.

Additionally, some will be contracted to house Post Office Box units served by postal personnel. In that sense, their operations will vary.
- (e) Multi-location enterprises are welcome to participate in the establishment of VPOs under terms that would result in their operation of multiple VPOs.
- (f) See the responses to subparts (c) and (e). The initial VPO was established at Red's Hop In Mart in Malone, WA. It is expected that other

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- vendors also will operate VPOs. Accordingly, the prospect of Red's Hop In Mart or some other vendor having a VPO monopoly seems unlikely.
- (g) No prerequisite to that effect has been established that a VPO operator reside or have its corporate headquarters in the same community in which it operates a VPO; yet that happenstance could well occur.
- (h) No. See the response to subpart (c). Whether to pursue the establishment of a Post Office Box unit at a particular VPO location will be a case-by-case determination.
- (i) This question appears to stem from an assumption that VPOs can be or would be a complete substitute for a Post Office; yet no VPOs are expected to be full service offices. VPOs are likely to be located on the premises of establishments that offer a variety of products, services and amenities that are entirely unrelated to postal products and services. The provision of rooms for public and private gatherings is an example of an amenity unrelated to the postal products and services. Whether or not such an amenity is offered by a vendor seeking to operate a VPO is immaterial to whether that vendor will be deemed suitable to operate a VPO.
- (j-k) N/A. See the response to part (c).

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NNA/USPS T1-12. Please list all means that the Postal Service expects to use to notify the public that a facility is a candidate for consolidation or closure and discuss whether each of these means will be used in each circumstance.

RESPONSE:

PRC Docket No. N2011-1 is the mechanism by which the Postal Service is requesting an advisory opinion from the Commission regarding the nomination by Headquarters of 3650 retail facilities for the conduct of formal discontinuance studies. (Previously, only field management could direct the initiation of discontinuance studies.) As such, this proceeding together with the interest and sharing of information by the press and members of Congress is the only notice being given to the public that each of 3650 offices has become a “candidate for consolidation or closure.”

Once a discontinuance study commences, the procedures for providing notice to a given office’s customers are detailed in Handbook PO-101. See USPS-T-1 at 17-23.

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NNA/USPS T1-13. Are you aware of any circumstances in a time period beginning with your service in Central Illinois district through the date of your response when the sole notice provided to the public of a potential facilities closure or consolidation occurred through a posting in a post office, including but not limited to the candidate office?

RESPONSE

While, witness Boldt's "awareness" does not permit him to identify any examples fitting the circumstances in this question, such circumstances would not be the appropriate procedure for discontinuing a Post Office, or classified station or branch, procedures for which are specified in Handbook PO-101. However, announcement that operations in a facility are being suspended (which is quite distinct from formal discontinuance) in a classified facility can, at first, resemble the circumstances described.

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NNA/USPS T1-14. Does the Postal Service typically carry out a postal patron mailing to the residences and businesses within a candidate office to alert it to the consideration of closing or consolidation? If so, how is the cost of producing and mailing that alert recognized by the Postal Service?

RESPONSE

Discontinuance procedures for Post Offices have long included the mailing of notice to all delivery customers served by that office. Current procedures now call for mailing notice to all delivery customers in the five-digit ZIP Code area of the facility being analyzed for discontinuance. This question is insufficiently clear regarding what is intended by cost recognition to provide a response.

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NNA/USPS T1-15. Are you aware that every state in the United States has a statutory provision or judicially-mandated process to provide notice to the public of significant public transactions or events? Has the Postal Service considered following these customary public notice practices in alerting the public to its consideration of a closing or consolidation?

RESPONSE

Mr. Boldt, not being an attorney, is unable to agree or disagree with the legal claims asserted.

For purposes of discontinuing classified retail units, the Postal Service has established a common set of notice rules for use throughout the national postal system. A common set of rules helps postal managers ensure that postal customers are treated in a consistent fashion, and would seem to minimize room for complaints that postal customers in State A get less time to respond to discontinuance proposals than postal customers in State B.

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NNA/USPS T1-16. Please state the Postal Service's total cost for television or radio advertising in Fiscal Year 2010 and Fiscal Year 2011. Have any of those expenditures been used to alert the public to a potential closure or consolidation? If so, please provide an electronic copy of those advertising messages.

RESPONSE:

Whatever the cost of postal television and radio advertising may be, Mr. Boldt is not aware of any communications between his office and persons in the Postal Service who manage such advertising. So as to his knowledge, no Postal Service television or radio product or service advertising is devoted to alerting postal customers in specific ZIP Codes that a particular Post Office, station or branch is being considered for discontinuance. Since notice is now provided to all delivery customers in ZIP Codes where a classified facility's discontinuance is proposed, even if such methods have been used in the past the need to do so now or in the future would appear to be diminished.